

TECHNICAL ASSISTANCE COMPLETION REPORT

Division : SARD/SAGF

TA No. and Name			Amount Approved: \$225,000.00	
TA4398-BHU : Strengthening the Debt Management Capacity of the Department of Aid and Debt Management			Revised Amount: \$225,000.00	
Executing Agency Bhutan Department of Aid and Debt Management		Source of Funding TASF	Amount Undisbursed: \$6,672.58	Amount Utilized: \$218,327.42
TA Approval Date: 28 September 2004	TA Signing Date: 25 October 2004	Fielding of First Consultants: December 2004	TA Completion Date Original: 31 August 2005 Actual: 31 December 2006 Account Closing Date Original: 31 August 2005 Actual: 29 November 2007	
Description The Kingdom of Bhutan (the Government) requested in April 2003 that Asian Development Bank (ADB) provide a technical assistance (TA) grant to strengthen the capacity of Department of Aid and Debt Management (DADM), Ministry of Finance (MOF). Subsequently, DADM was replaced by Debt Management Division (DMD), Department of Public Accounts (DPA), MOF, following government reorganization. This TA is the second of a total of three TAs to address the capacity constraints in DADM. In the first phase, "TA3893-BHU: Strengthening the Debt Management Capacity of the Department of Aid and Debt Management" identified specific weaknesses in debt policy, loan procedures and regulations, hardware and software support, and staff capacity. Government's second TA request targeted these areas. The TA was included in ADB's Country Strategy and Program Update 2004–2006 for Bhutan.				
Expected Impact, Outcome and Outputs The impact of the TA is to develop a comprehensive, forward-looking debt strategy, with a long-term macroeconomic sustainability focus. The outcome of the TA is strengthened debt management capacity of DADM. Targeted outputs include (i) development of a debt policy to record and manage current debt as well as to guide future borrowing decisions of the Government; (ii) preparation of a loan procedures and regulations manual; (iii) design and implementation of a complete and consolidated database on all loans and grants; and (iv) supply of in-house and external training for staff in the proficient use of a computerized debt management system, sound management of the existing debt portfolio, comprehensive risk analysis, and a prescriptive analysis of the scope for a new borrowing position vis-à-vis the country's repayment capacity and development strategy. The TA design is relevant to addressing the capacity constraints in DADM. The TA outputs in providing debt policy, loan procedures and regulations manual, hardware and software support, and staff capacity building directly underpin the TA outcome and impact. The content of the terms of reference is pertinent. The executing arrangement was adequate. However, the TA implementation was delayed owing to additional time required to (i) finalize the draft borrowing policy, loan manuals, and guidelines for government guarantees, in accordance with the comments received from DADM, (ii) provide further training to DADM staff for using the new software, and (iii) carry out the software system procurement and negotiation process. Stakeholder ownership was strong.				
Delivery of Inputs and Conduct of Activities Consultants' terms of reference were fulfilled satisfactorily. The performance evaluation of the team leader is excellent, as reflected in the ADB individual performance evaluation report. The procurement of Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) was concluded satisfactorily, albeit delay. TA review missions were conducted during the implementation to track the TA progress; issues were identified and pursued. The changes made during the implementation include extension of the TA for two additional years—for reasons stated in the above paragraph. The Government is however satisfied with the TA inputs despite the delay. The performances of ADB and the executing agency were satisfactory.				
Evaluation of Outputs and Achievement of Outcome TA output delivery was delayed and inefficient, but the outputs were effective in improving the capacity of DADM, particularly through the information generated by the computing system. The TA outcome of strengthened DADM (now DMD) capacity is therefore achieved. The Government is also pleased with the TA outputs and outcome. More				

specifically, out of the 5 TA outputs:

A debt policy. The TA final report produced a “borrowing policy and strategy.” It includes a framework for government borrowing, recommended borrowing ceiling and parameters, an on-lend policy, and guidelines on the use of guarantees. Despite the delivered output, it took additional Government efforts to finalize the debt policy, which was drafted independently by the Government after the TA completion. Nonetheless, the exposure from the consultants’ preparation of the “borrowing policy and strategy” was helpful to the DADM staff in finalizing the debt policy. In 2008, the debt policy is in the process of being mainstreamed into the decision-making process. This TA output was therefore relevant but not sufficient, as well as less effective.

A loan procedures and regulations manual. A brief loan manual was prepared under the TA. The manual described government borrowing cycle and the responsible agency functions. MOF used such information to produce the Standards Operating Procedures (SOP). SOP is in use and effective. However, this TA component did not contribute to the more comprehensive “Aid and Debt Management Manual” because of government reorganization that separated aid and debt management functions. Therefore, the Government was unable to produce a combined manual. Under such a circumstance, this TA output was still relevant, effective, and sustainable.

A complete and consolidated database on all loans and grants. Procurement and installation of the database were the largest TA component. In early 2006, the CS-DRMS for loan and grant recording was procured. Significant efforts were made by ADB to reduce the price for a non-Commonwealth member. As a result, the system procured was cost effective and suitable in the Bhutanese context. The system has been essential for the country’s debt policy management and formulation. This TA output was highly relevant, highly effective, and most likely sustainable.

Strengthened debt management capacity of public debt management staff. Continuous ADB TA support from 2003 to DADM delivered concrete results in strengthened debt management capacity. Six DADM staff members have been trained and are now proficient in using the CS-DRMS. All six are still with DMD, and the developed capacity is retained. Because of the complex nature of the software system, DMD staff requires continuous support to use the new database. This TA output was highly relevant, highly effective, efficient, and most likely sustainable.

Timely feedback provided in the form of descriptive and analytical reports to other user departments of the Government and aid agencies. The information generated by CS-DRMS provides descriptive and analytical reports to line ministries. Such reports helped MOF formulate critical decisions in macroeconomic management and development planning. This TA output was highly relevant, effective, efficient, and sustainable.

Overall Assessment and Rating

The overall TA is rated successful. Despite two years’ delay, no major shortfall has taken place and output targets were met. The expected outcome and impact for developing a comprehensive, forward-looking debt strategy, with a long-term macroeconomic sustainability, are being achieved. The delay has not changed the overall effectiveness of the TA and was small in relation to the gains—namely the strengthening of DADM (now DMD) capacity. Related debt management functions in DPA and MOF have been improved. For example, the production of debt sustainability analysis is now based on the reports/data generated by CS-DRMS. The TA remains relevant.

Major Lessons

The TA completion was delayed because the TA design did not foresee the extended time required for software procurement and launch. The selection of a suitable system, especially fitting the Bhutanese context was time-consuming. The Government conducted exhaustive reviews, including country site visits, and extensive negotiation of the price. Database conversion from original Excel sheets to the CS-DRMS also took longer time than originally planned. The extensive time on software procurement and launch therefore affected some remaining TA outputs. These issues need to be taken into consideration for the subsequent TA design and implementation.

Recommendations and Follow-Up Actions

It is recommended that future TA design on similar interventions carefully evaluate the time required to provide the necessary TA outputs to avoid delay. The follow-up action is continued assistance to build on the existing achievements to provide targeted training in regulatory compliance, macroeconomic forecasting, and relevant data analysis. This is to help the Government formulate a comprehensive, sustainable debt strategy that is a part of Bhutan’s long-term macroeconomic and fiscal framework.